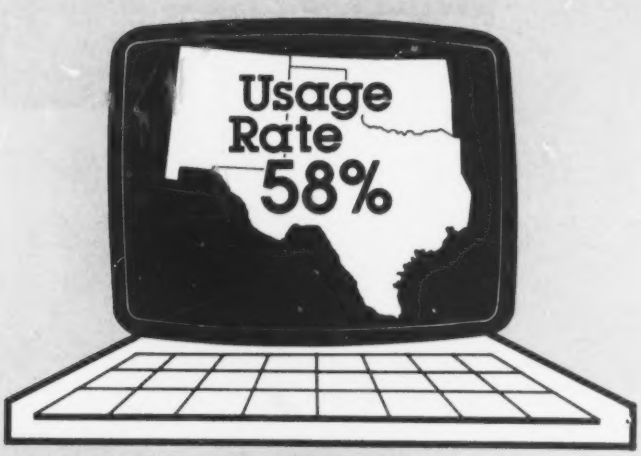
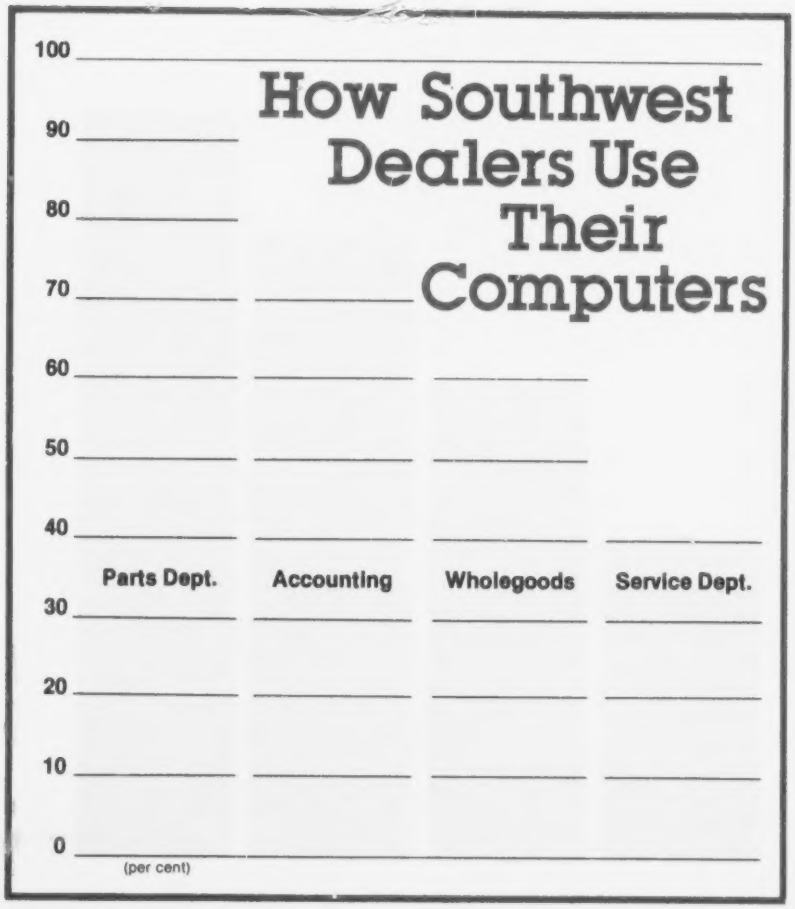


The Southwest Connection



Nearly 6 of 10 dealers are using computers, according to a survey taken in Texas, Oklahoma and New Mexico.

By Richard A. Edwards
Agribusiness Economist, Texas Ag Extension Service

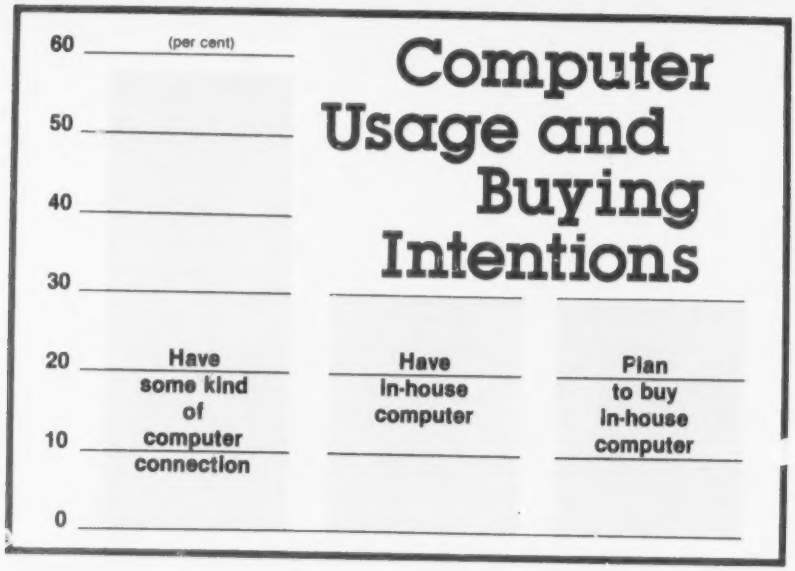
IMPLEMENT dealers in the Southwest are no exception to the phenomenal growth in computer usage, according to results of a recent survey.

Some 58 per cent of 252 dealers surveyed are using computers in some facet of their business, and the survey predicts increasingly heavy usage in the near future.

Among key trends seen in the research: 30 per cent of responding dealers already have an in-house system and another 30 per cent plan to get one within two years.

Among dealers who aren't using computers, 80 per cent believe they could benefit from them, but the majority of non-users consider the machines too costly.

(More...)



Southwest Connection

(continued)

The survey was conducted in late September and early October, 1983, when about 500 questionnaires were sent to dealers in Texas, Oklahoma and New Mexico.

The dealers were drawn from membership lists of the Southwest Hardware & Implement Assn., and the survey was coordinated through the Agricultural Economics Dept. of Texas A&M U.

While the survey does not show precisely what is happening nationally in dealerships, or indeed in those three states, it is interesting that the Southwest Assn. tends to report figures very close to the national average in the annual Cost of Doing Business study of the National Farm & Power Equipment Dealers Assn.

Specific applications

Among 146 dealers using computers, 94 per cent used the systems to serve their parts departments, with the second greatest usage, 79 per cent, being for accounting. This included maintenance of receivables and payables.

Wholegoods inventory had been computerized by 60 per cent. Service departments were using computers in 41 per cent of the dealerships with some kind of computer link-up.

A question about the type of systems in use indicated that some dealers are tied in to several different computers, reflecting the variety of computerized services available on the market. Here are the linkages:

Connection	per cent
In-house computer	49
Terminal connected to an outside computer	43
Automated parts system with a parts department terminal	27
Accounting service bureau	8
Parts service bureau	8
Payroll service bureau	3

The software to handle these applications was generally of the prepackaged variety, with only 5 per cent of computer users reporting they had developed their own programs, and 8 per cent saying they had revised a purchased software package.

Software was purchased by 39 per cent of the users, and 8 per cent got software from the manufacturer of their particular machine. Another 36 per cent rented or leased their software.

Diversity was also found in acquiring the hardware, with 58 per cent having purchased the system, while 42 per cent used leased equipment.

The most popular brand of hardware was IBM, at 35 per cent, followed by Texas Instruments at 25 per cent. Olivetti took an 8 per cent share, with Pertec and Comtec each having a 4 per cent share. Other brands accounted for 19 per cent of the hardware, with no individual "other" having more than 1 per cent share of the total.

While computers, especially dealer-sized machines, often seem to be an over-night sudden innovation, 18 per cent of the computerized dealers have had a system more than seven years, and 16 per cent have had a system from four to seven years.

Other experience reports: 2 to 4 years, 38 per cent; 1 to 2 years, 18 per cent; 6 months to 1 year, 3 per cent; less than 6 months, 6 per cent.

Would if I could...

Among 106 dealers who didn't have computers in use, 4 out of 5 say their business would benefit from an in-house system, and 69 per cent say they foresee acquiring a computer in the next two years.

Their intended computer applications follow the usage patterns of those who have systems:

Usage	per cent
Parts	81
Accounting	64
Accts. Receivable	56
Accts. Payable	42
Wholegoods	41
General Office	21
Shop	20

Finances figured heavily when the dealers explained the major reasons they did not presently have a computer, with 54 per cent saying the systems were too costly. Other reasons:

	per cent
Present method is adequate	31
No one has actually shown me data on cost, savings	18
Would have to add personnel	10
No satisfactory service representative in my area	6
Present economic situation	5
Waiting on lower cost and better software	5

Next month, we'll take a look at how the sales volume of dealerships has influenced the computer experience of the dealers, and look at some of the expectations of dealers who say they're in the market for a system. I&T

News Briefs

Sperry Completes Sale Of Fluid Power Operation

With acceptance of $213 million in cash and $52 million in notes, Sperry Corp. on Jan. 1 announced closing of the sale of its fluid power operations to Libbey-Owens-Ford Co.

Vickers, a major hydraulic product supplier to agricultural and industrial markets, reported $413 million in sales in the fiscal year ended March 31, 1983. LOF also owns another major hydraulic producer, Aeroquip Corp., which it acquired in 1968.

Glencoe Receives Top British Award

The Silver Award of Merit has been presented to the Glencoe Soil Saver conservation tillage tool at the Royal Smithfield show sponsored by the Royal Agricultural Society of England.

The award, the highest honor conferred at the big annual event, will be formally awarded next July at the Royal Show of Stoneleigh. The Soil Saver was introduced in 1969, one of the first conservation tillage tools offered in North America.

New Holland's O'Brien Is Dead at 56

Paul A. O'Brien, Jr., who was Sperry New Holland's vice-president and general manager of Latin American and Far East manufacturing and marketing, died unexpectedly of a heart attack Dec. 31 at Lancaster, Pa.

With Sperry New Holland for 33 years, his assignments included international marketing manager; director of the company's Brussels, Belgium, marketing center; European Div. marketing director; communications and promotions director; director of sales; and vice-president for marketing and public affairs, worldwide.

He is survived by his wife, Florence, and four children.

W. German Tractor Sales Up Despite Slower 2nd Half

Sales of farm tractors in West Germany were about 10 per cent higher in 1983 than in 1982, moving up from 41,380 to 45,567 units. The second half of 1983, however, produced less volume than the same period in 1982—17,651 units sold compared with 20,033.

Here's how market shares worked out in 1983 for six major tractor firms:

Company	1983 Units	1983 Pct.	1982 Pct.
Deutz	8,710	19.1	18.9
Fendt	8,072	17.2	18.9
Int.. Harv.	7,761	17.0	17.0
Deere	4,003	8.8	8.9
Daimler-Benz	3,526	7.7	6.4
Massey-Ferg.	2,444	5.4	5.8

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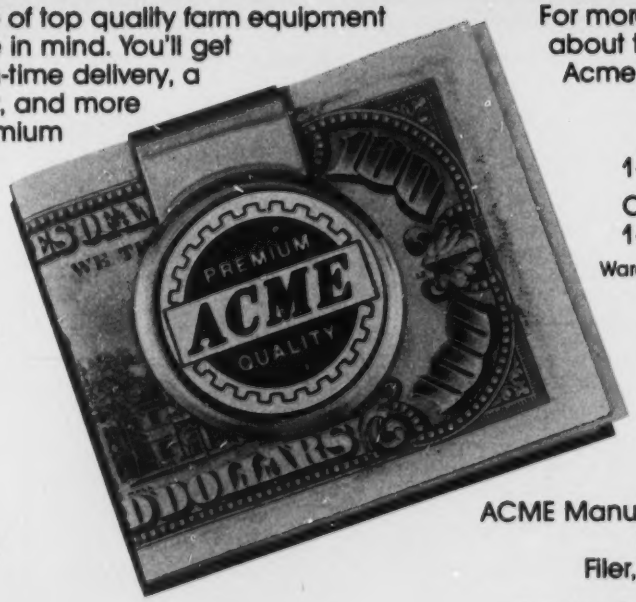

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MARKETING YOUR PRODUCT SUPPORT SERVICES

(The author, president of After Market Services Co., Tulsa, Okla., trains and consults with manufacturers and dealers on parts and service marketing in several capital goods industries.)

By John R. Walker

As wholegoods sales have declined, parts and service profits have become more important for dealer survival. (Beware the Maytag syndrome!)

■IN RECENT YEARS, we've all seen many columns and articles in I&T concerning the importance of parts and service to the equipment dealer's survival. And too many dealers have read these articles, nodded their heads in agreement—and continued business as usual.

Implement dealers have followed the pattern set many years ago by the automotive dealer. It appears to be an ingrained philosophy with many of them that all that's needed is to *sell that iron*. The parts and service sales that follow from this will automatically be the dealer's. There are many among the manufacturers' ranks who share this ingrained philosophy, too.

I see these people as being afflicted with *the Maytag syndrome*. (You've seen that guy on TV, haven't you? He's the lonely Maytag man, sitting in his rocker by the phone, waiting for someone to call.) I suggest that any dealer who waits for the customer to initiate contact on parts and service must be prepared to see more and more of his aftermarket business going to his competitors.

Your customers have a choice in today's competitive product support aftermarket. Once the after-sale warranty period has passed, they are going to be cultivated by professionals in parts and service marketing. These professional marketers began attacking the automobile industry years ago, and today they have left the auto dealer with an average 15 per cent of the parts and service aftermarket.

And today, they are hard after the farm equipment market.

What's the answer?

The first step to resolving this problem has to be one taken by the dealer himself. He has to become as seriously involved with the management of his parts department and his service operation as he is with wholegoods sales. He must recognize that parts and service must be run as profit centers, that customers have a *choice* about where they go for parts and service, and that there is likely more competition for his product and support business than there is for wholegoods.

You may be turning a profit in your parts and service operations, but if your total sales volume has been declining, then you need to turn your efforts to marketing your product support services.

Actually, a look at the National Farm & Power Equipment Dealers Assn. Cost of Doing Business study indicates that parts operations have assumed a greater portion of the average farm equipment dealership's volume and a good deal more dollars. But parts department gross margin has gone up only marginally in the past five years and expenses have risen sharply.

And the average annual parts turnover, as shown by the CDB study, is going down, down, down.

When we refer to marketing your product support services, we're talking about the total effort, and selling is just a part of it. The dealership that doesn't develop its product support abilities in the 'eighties and then learn to market those abilities is not likely to survive.

So what's the answer? It's a matter of returning to the basics:

1. **Know your market.**
2. **Know your competition.**
3. **Do your market planning.**

Knowing the market

The area in which manufacturers and dealers are most vulnerable is determining their market for parts and service sales. Without first knowing the potential of the market, it isn't possible to plan efficiently for setting inventory levels, to determine how much to invest in facilities, to know how many people to hire and how much training to commit to, or how much to budget for advertising and promotion.

Surveys of the industry indicate that dealers are achieving approximately 80 per cent of their product support sales from only 20 per cent of their customers. Yet most dealers are hard-pressed to identify their customer base that provides them with the 80 per cent. Knowing your market calls for a customer analysis.

There are many ways to conduct a customer analysis. The job need not be elaborate. Remember that you are attempting to determine who is using your services and who is not. After you have done this analysis, you can begin to determine the *whys* and what is required to achieve more penetration.

As an over-simplified example, if a dealer's analysis shows the potential parts and service business is $4 million and he is doing $1 million, that dealer is looking at a 25 per cent penetration. It is at this point the importance of market planning and goal setting in product support sales becomes evident.

Know your competition

Since you're in a genuine competitive war for survival, you need to know fully who your competitor is. How well do you know his techniques of battle—the means by which he brings that customer to his place instead of yours?

Obviously, the larger your market area and its nearness to metropolitan areas, the greater your competition. But wherever you are, you must get rid of assumptions about your competition. You need to establish facts about the competition such as who they are, what their true pricing structure is, their marketing philosophy, the quality of their parts or service, and their integrity or reputation.

Some of the ways of going about this include looking in your Yellow Pages to see who is advertising parts. But don't stop at the farm equipment or tractor listings. Take a look under automobile parts, phone some of the chain stores and see if they have a filter or a belt that will fit one of your Ford or Deere or IH or White tractors.

Do some comparison shopping. Find out how your competition is using point-of-purchase merchandising. See how a customer is treated.

Ask your customers if they do some business with those other parts outlets, and why. And in every case, deal with the facts.

Market planning

Market planning is, for many dealers, nothing more than projecting a dollar figure beyond what was done the previous year. There is seldom direction or planning as to how this figure is to be achieved.

But once you know your market and your competition, you can put your parts and service marketing plan into writing. Look at your plan as a road map that tells you where you are, where you want to go and how to get there.

You must, of course, involve your parts and service managers in this planning, for they will be asked to achieve definite goals. Parts managers can no longer be just

(Continued on page 41)

Parts department performance review—How are dealers doing?

While Johnny Walker talks in the accompanying article about the first steps a dealership must take to get up to a competitive level in the aftermarket, I&T presents this brief review of parts-related data from the National Farm & Power Equipment Dealers Assn. Cost of Doing Business study. We covered the five most recent years for which information is available—1978 through 1982. In one area, parts turnover, we went back nine years to show what has happened through most of a decade. Results of NFPEDA's 1983 study will be available from dealer associations in a few months.

Parts Turnover: Down Almost a Full Turn

Year	Times Inventory Turned
1974	2.41
1975	2.28
1976	2.24
1977	2.02
1978	2.05
1979	2.01
1980	1.84
1981*	1.54
1982*	1.54

*Agricultural dealers only

Parts Dept. Sales
(Dollars, and as a per cent of total sales)

1978	$300,151	16.04%
1979	365,105	15.56
1980	395,027	17.54
1981*	450,017	18.13
1982*	457,045	20.87

Parts Department Gross Margins

1978	29.13
1979	28.62
1980	30.80
1981*	30.68
1982*	31.29

Parts Inventory
(Dollar value, and as a per cent of total assets

1978	$103,669	11.57%
1979	129,782	11.72
1980	148,501	11.99
1981*	167,351	11.37
1982*	170,675	11.36

Sales Performance per Man

	Average Number of Partsmen	Average Total Parts Department Salaries	Average Salary per Partsman	Average Parts Sales per Partsman
1978	2.03	$21,295	$10,500	$147,858
1979	2.17	26,670	12,300	168,251
1980	2.16	28,683	13,300	182,883
1981*	2.14	32,103	15,000	210,289
1982*	1.97	31,757	16,100	186,693

*Agricultural dealers only